



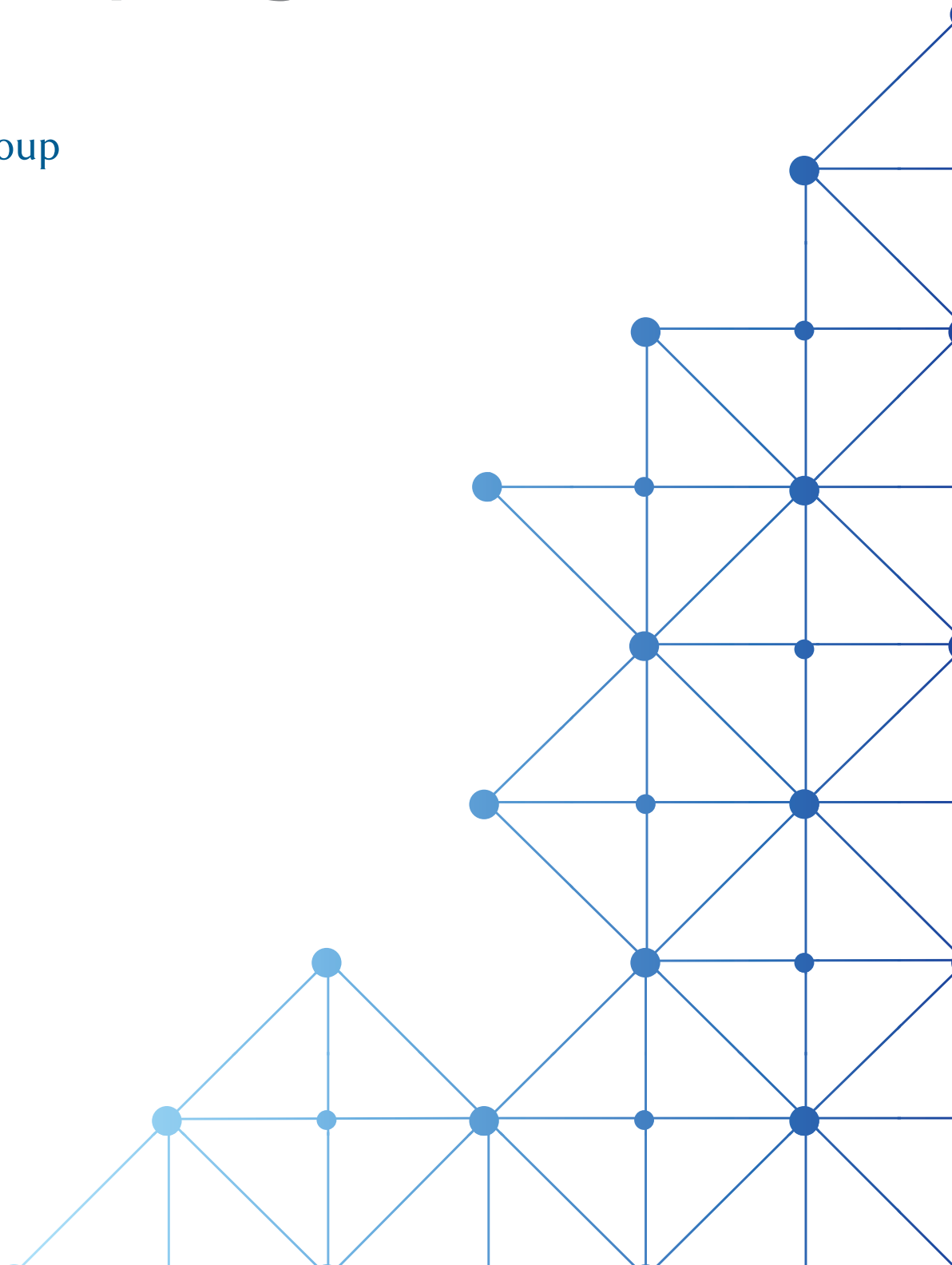
2014 Annual Report

PARTNERSHIP



2014 Annual Report

PARTNERSHIP



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PARTNERSHIP MATTERS

Partnership is more than just a word. It is a relationship built upon mutual goals and shared respect. It is a commitment to work together toward a common vision.

The *American Heritage Dictionary* defines partnership as:

1. The state of being a partner.
2. A legal relationship existing between two or more persons contractually associated as joint principals in a business.
3. A relationship resembling a legal partnership and usually involving close cooperation between parties having specified and joint rights and responsibilities.

A partnership is an arrangement where parties, known as partners, agree to cooperate to advance their mutual interests. The partners in a partnership may be individuals, businesses, interest-based organizations, schools, governments, or combinations thereof.

At HAI Group, partnership involves trust, respect, integrity, accountability, and sharing mutual goals; it involves standing together, and using the strength in our unified voices to advance our common causes.

We are proud of the partnerships we have built throughout the years and fully understand the magnitude of the responsibility in recognizing the achievement of each specified goal. We look forward to sharing examples of our partnerships within this 2014 Annual Report.



HAI Group would like to thank its many partners in helping provide products and services to Members. As the number of partners we work with far exceeds those acknowledged on this page, we apologize that due to limited space we are unable to represent all of them here.



A Letter from **DAN LABRIE**

Celebrations of partnership occur often at HAI Group. Given the support and loyalty shown by our Members and Policyholders, this is natural. Through service to you, we learn how to operate in a manner which exceeds expectations.

HAI Group could not become the insurer of choice in the public and affordable housing community without a second set of allies – business partners who help us provide effective, affordable insurance as well as value-added products, services, and solutions. Our list of partners is long, but distinguished, and we are grateful for their contributions every day.

The history of Housing Authority Risk Retention Group, Inc. (HARRG), Housing Authority Property Insurance, A Mutual Company (HAPI), Housing Enterprise Insurance Company, Inc. (HEIC), Housing Specialty Insurance Company, Inc. (HSIC), and Housing Insurance Services, Inc. (HIS) cannot be told without mentioning The Travelers, which has provided reinsurance for our insurance companies since their formation. This relationship provides Members with reassurance that large losses will be paid.

Another invaluable partner is the Vermont Department of Financial Regulation, pioneers in the captive and risk retention group industry. In serving our Members, HAI Group has tried some creative approaches. It could not have been done without open, honest communication and guidance from our State of Domicile.

HAI Group has grown since its inception. Once a niche insurance provider, we are now a respected housing industry stakeholder counted on to provide new solutions to old problems in an ever-changing world. What does not change is our commitment to you. Public and Affordable Housing Research Corporation (PAHRC) has supported the industry associations – Council of Large Public Housing Authorities (CLPHA), National Association of Housing and Redevelopment Officials (NAHRO), and Public Housing Authorities Directors Association (PHADA) – with data and research tools. Housing Systems Solutions, Inc. (HSS), Housing Authority Insurance, Inc. (HAI), and Housing Telecommunications, Inc. (HTI) have delivered groundbreaking software solutions, distance learning, advocacy, national media exposure, the prospect of industry-wide accreditation, and other initiatives that could reshape public housing. The future is bright.

Speaking of the road ahead, many industry experts see the lines between the public and affordable housing industries becoming blurred. HAI Group has been forming relationships with affordable housing industry stakeholders like Housing Partnership Network, NeighborWorks, and others. If one day subsidized housing exists as 'one world' and HAI Group is a stakeholder in that evolving industry, the seeds were planted in 2014.

As it is with an acceptance speech at The Academy Awards, we run the risk of not thanking someone important. No offense is intended. HAI Group has partnered with hundreds of businesses who met our needs in ways great and small. We are thankful for every contribution.

Most of all, we are thankful for you, our loyal Members and Policyholders. You are HAI Group's most valuable partners. Without you, we could not exist. We will continue to work tirelessly in support of our Mission and Vision in support of yours, which is providing safe, decent, affordable housing to the residents of public and affordable housing.



A Letter from **LINNIE WILLIS**

My first year as Chair of HAI Group's Board of Directors has been extremely busy, but also very rewarding and exciting. The key to any successes that I have achieved in leading this organization is directly attributable to the unwavering support of all of the Board Members. To you, I express my sincere and humble appreciation. Past Chairs, you have been so generous in sharing your wisdom, knowledge, and experience, which has helped me to transition smoothly into this position. You are truly 'the wind beneath my wings.'

I've witnessed HAI Group grow far beyond what I ever imagined in terms of partnership and collaboration. We support our Members in every way possible and have become a major force in the housing industry. We listen to our Members and act with their best interests in mind. Our newest initiatives, such as *ReThink: Why Housing Matters*, advocacy, and development of a financial facility are proof of that. We have awesome employees who are leading these initiatives, without whom, none of this would be possible.

In my role as Board Chair, I have had the opportunity to witness partnership at its finest. The current Board of Directors is one of the most collaborative and highly progressive groups I've had the pleasure to be part of. They support each other and are focused on making HAI Group the best that it can be. In doing so, our Company has become a great place to work, is financially solvent, and is able to provide a high level of service to its Members. Not many companies can say that.

Over time, I've watched our committees grow and I've observed our many Committee Members become more engaged. By becoming more actively involved, they are shaping their futures with HAI Group and in turn, will provide a solid foundation for the future success of HAI Group as a company.

Working in collaboration with numerous national industry groups allows our Company to have firsthand knowledge of how best to serve the Membership. Our work with CLPHA, NAHRO, and PHADA has made a lasting impact on the housing industry. The research provided by our *Innovations in the Moving to Work Demonstration* report supports these groups when they take our battle to the US Department of Housing and Urban Development (HUD) and Congress. Through PAHRC, we have provided valuable research data to these groups to arm them in our ever-increasing role in advocacy.

At a recent PHADA Conference, HAI Group received accolades for what we're doing on behalf of our Members and the industry. While the accolades were not for me personally, as your leader, I was extremely proud to represent HAI Group. Everyone I've spoken to in my travels over the past year – industry group members and statewide organization groups – are complimentary and appreciative of the work that HAI Group performs for the housing industry. We work hard, and it's obvious.

One of my goals for 2015 is to continue to build a strong Board of Directors for the future. A second one is to ensure that we provide excellent customer service in all that we say and do. The strength and longevity of our Company depends on this. We must also seize the opportunity to promote succession planning for the near term. We need to be prepared for the succession of leadership in our organization, as well as at the Board level in order to realize sustainability going forward.

I'd like to thank everyone – my partners – in helping to make my first year as Board Chair a successful one and I look forward to continuing to work toward our Mission of meeting the needs of our Members.



Linnie B. Willis
CHAIRMAN OF THE BOARD



2014 ANNUAL REPORT

For nearly three decades HAI Group has been committed to serving the public and affordable housing industry. During that time, we have become a family of 10 companies providing a variety of products and services to our Members. Being true to our Mission, our ultimate goal reaches further, to provide solutions in a manner which exceeds expectations. We have been fortunate enough to be able to accomplish this with help from our many partners along the way.

The theme of this 2014 Annual Report is *Partnership*. Simply stated, *Partnership* is a relationship between individuals and groups characterized by a mutual cooperation and responsibility for the achievement of a specified goal. During our 27-year history, we collaborated and developed lasting relationships with three key groups; CLPHA, NAHRO, and PHADA, who helped us push the housing industry's agenda to the forefront. Together, we have served as pillars supporting the public and affordable housing community.

At our core, we are an insurance company. Our first task when HARRG was formed was to provide liability coverage to our founding Members. We continued that Mission during 2014, and made significant advances in providing quality insurance products and services to more than 1,000 Members. These efforts don't go unnoticed and as a result, our Member retention rate remains steady at 99%. Our newest venture, HSIC, is firmly rooted and will begin providing non-traditional coverage that is otherwise difficult to find in the traditional marketplace. While HARRG, HAPI, and HEIC maintained their "A" (Excellent) rating from the A.M. Best Company, our newest insurance company, HSIC, was assigned a rating of A- (Excellent). In response to rising digital threats, we purchased a Master Cyber Liability Insurance Policy which was designed to protect our Members – at no charge – from ubiquitous cyber threats. We will begin offering this coverage at the start of 2015. As for the future, we remain committed to providing the very best insurance products we can to meet our Members' needs.

Mutual cooperation is a hallmark of what we do and working collectively has enabled PAHRC to promote its initiatives and messages. We've been able to leverage our own data and analytical resources to create

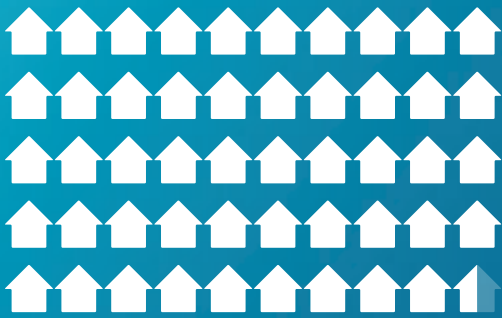
a larger impact than we could alone. In our give-and-take relationship, we provide data and data consulting to our partners. In return, we gain trusted policy commentary and new sources of data. We increase our audience, or reach, when we share our research products.

During 2014, there were significant improvements to our *National Housing Preservation Database (NHPD)* through our ongoing relationship with the National Low Income Housing Coalition (NLIHC). The *NHPD* has more than 2,000 active users and has been utilized by researchers at Harvard University, the University of Southern California, and the University of California at Los Angeles; government agencies such as the Government Accounting Office, HUD, and the Office of Management and Budget; and businesses such as Wells Fargo Bank and Bank of America.

We collaborated with many research institutes such as the NLIHC, New York University's Furman Center, the Urban Institute (UI), and the University of Florida's Shimerberg Center to join a preservation database working group and provide feedback on the *NHPD* which will ultimately build a larger user community around preservation efforts. PAHRC and HUD also discussed data sharing for the *NHPD*. Our collaboration with UI, a Washington, DC-based social policy research firm, continued with work on the *Assisted Housing Initiative*. Together we produced 10 commentaries focusing on the need for increased attention on expanding and improving the stock of assisted housing. One of UI's commentaries, titled *We've Mapped America's Rental Housing Crisis* was viewed approximately 30,000 times, making it one of UI's most viewed web products in the last few years.

Our work with Abt Associates, an international social research firm, gave us the *Innovations in the Moving to Work Demonstration* report which highlighted more than 30 Moving to Work (MTW) agencies that have been put in place as a result of their increased flexibility. PAHRC also collaborated with CLPHA, Housing Authority of the City of Austin (Texas), and LeadingAge, an association of non-profit organizations that are dedicated to helping America be a

better place to grow old, on a webinar called *Performing Senior Needs Assessments*. In collaboration with CLPHA, NAHRO, and PHADA, we released the first annual 2014 *Public and Affordable Housing Research Corporation Report*, which summarizes current research and data on the need for affordable housing in the US. It's clear that maintaining key partnerships with powerful industry players was an important part of PAHRC's success in providing data and information that will benefit the housing industry over the long haul.



99%

Member Retention Rate

Partnering with organizations such as Abt Associates, LeadingAge, CLPHA, NAHRO, and PHADA, the

Innovations in the Moving to Work Demonstration

report along with the first annual

Public and Affordable Housing Research Corporation Report

were created.



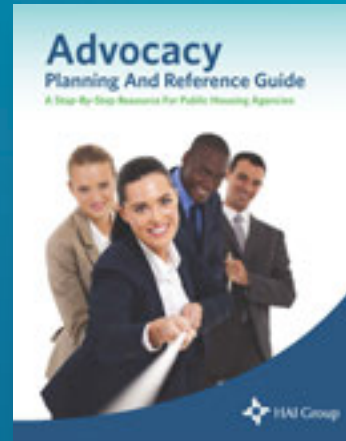
What began as a request from Members for better housing agency software soon materialized into *HousingHub®*, our new software solution. During 2014, we worked with Members to test our new software, conducted numerous product demonstrations at Member housing agencies, and put plans in place for the first software implementation in collaboration with the Meade, Butte, Lawrence County Housing and Redevelopment Commission (South Dakota).

We've proved our initiatives are making a difference for the industry. In 2014, HAI Group collaborated with NAHRO and PHADA to release the *Advocacy Planning and Reference Guide* to partner with Members in building positive relationships and effective advocacy strategies. These efforts help to inform and educate decision makers and the public about the value that housing agencies bring to the community. Soon after its release, we started to hear positive buzz. Members have told us how it has made a difference in helping them become 'cheerleaders' for their housing agencies and residents.

Through our *ReThink: Why Housing Matters* initiative, we continued to promote our efforts to change America's perception of public housing. One of this year's successes was the *ReThink: Why Housing Matters Song Contest with Jewel*. Our partner, singer and songwriter Jewel, recorded "Home To Me," a new song based on the contest's winning entry. Other successes included stories about Sail Quest, a youth sailing program in Norfolk, Virginia; and the Youth Culinary Academy and accompanying restaurant, the Osage Café, both associated with the Denver Housing Authority (Colorado). With the help of our partners, these projects showed the value that public housing brings to their residents and the community at large.

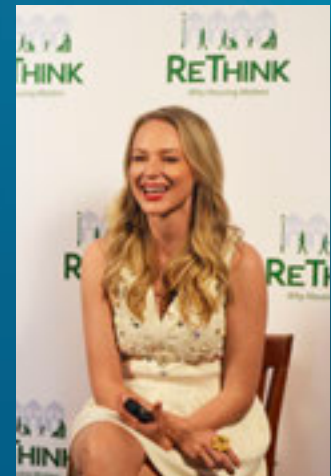
As sources of funding diminish, our Financial Facility initiative seeks to facilitate ways in which our Member housing agencies can access the necessary financial resources which are vital to keeping them viable and operating for a long time to come.

Our day-to-day work focuses on listening to our Members and developing solutions to fit their needs. Our *CustomerCentric* approach enables us to work closely



The
***Advocacy Planning
and Reference Guide***

is available at
www.housingcenter.com/advocacy.



The

***ReThink: Why Housing Matters
Song Contest with Jewel***

invited Americans from across the US to submit stories of what home means to them. The contest resulted in Jewel's new song, "Home to Me," which generated more than

21,500 plays and **276,856,180 in media impressions.**



Nearly **500 organizations** have logged on to www.htvn.org since the implementation of the **new Learning Management System** in February 2014.

RISEUP



RiseUp came to HAI Group for **Career Access Day** where employees took time to **mentor** and **network** with Hartford students.

with Members, listen carefully to their needs, and help them meet their goals. During 2014, one team of HAI Group employees developed a *New Member Welcome Kit*, a custom designed portfolio containing the latest information about our products and services. The goal was to make new Members feel welcome when joining any of our insurance programs or value-added solutions.

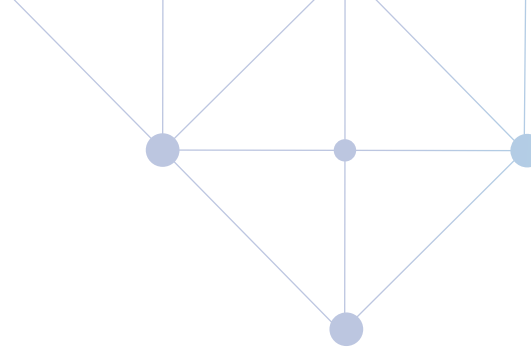
Training has always been an important part of what we've offered to our Members. The online courses offered by HTVN have consistently evolved to remain state-of-the-art to help Members and Subscribers stay current with the issues facing the housing industry. During 2014, the HTVN Team partnered with a new Learning Management System provider to offer additional features and enhancements in the online training experience. The end results included a new look, including a home page that was easier to navigate and a 'dashboard' which makes it easier to view the status of a Learner's courses. Helping our Members with their professional development skills just became easier.

One of our most meaningful partnerships is with the community where we work and live. Partnering with the RiseUp Group, Inc., a Connecticut organization that helps high school age kids and young adults attain their dream of pursuing an education, was one of our new ventures in 2014. We were successful in engaging RiseUP participants in community activities, and are tutoring them with their studies – all with the goal of helping them expand their lives.

Throughout our history, we have adhered to one of our many guiding principals: listening to our Members and helping them meet their needs, while striving to exceed their expectations along the way. We wouldn't be able to accomplish this without the help of our many partners who help us reach audiences we couldn't by ourselves. It allows leveraging everyone's vast pool of knowledge for the benefit of the whole, in this case, the public and affordable housing community.

Thank you to all of our partners. You have truly helped us stand together, and with unified voices, advance our common causes.

BOARD OF DIRECTORS AND COMMITTEE MEMBERS



BOARD OF DIRECTORS

(Front row) Edwin Lowndes; James DiPaolo; Douglas Dzema; Linnie Willis, *Chair*; Christine Hart, *Vice Chair*; J. Len Williams; Ed Hinojosa; Gary M. Wasson

(Back row) L. Glen Redding; Tyrone Garrett; Joseph Shuldiner; Tony Love; Lee Eastman; Richard Press; Russell Young; Dan Labrie

COMPENSATION COMMITTEE

(Front row) Douglas Dzema; Christine Hart; Linnie Willis, *Chair*; J. Len Williams, *Vice Chair*

(Back row) Edwin Lowndes; Lee Eastman



AUDIT COMMITTEE

(Front row) Douglas Dzema, *Vice Chair*; Linnie Willis; J. Len Williams

(Back row) James DiPaolo, *Chair*; Edwin Lowndes



HSS COMMITTEE

(Front row) Kevin Loso, *Vice Chair*; Lee Eastman, *Chair*; James DiPaolo

(Back row) Joseph Shuldiner; Edwin Lowndes; Ed Hinojosa



GOVERNMENT AFFAIRS AND RESEARCH COMMITTEE

(Front row) Russell Young; David Paccone;
Dan Labrie; Karl Opheim

(Back row) Joseph Shuldiner, *Chair*; Jay Cunningham;
John Thaniel; Scott Bertrand

(Not in photo) MaryAnn Russ, *Vice Chair*;
Tracy Barlow; Rufus (Bud) Myers



GOVERNANCE COMMITTEE

(Front row) L. Glen Redding; J. Len Williams, *Chair*;
Edwin Lowndes, *Vice Chair*; Linnie Willis

(Back row) Russell Young; Joseph Shuldiner; Richard Press



STRATEGIC MANAGEMENT COMMITTEE

Anthony Peccerillo; Dan Labrie; Dave Sagers;
Ed Malaspina; Mark Wilson; William Lewellyn



ERM COMMITTEE

Tony Love; L. Glen Redding, *Vice Chair*;
Christine Hart, *Chair*; Dan Labrie; Russell Young



CLAIMS COMMITTEE

(Front row) Stephanie W. Cowart; Sharon Scudder

(Second row) Edwin Lowndes; Douglas Dzema, *Chair*; Jim Eigenberger; Mark Gillett; Tony Baltimore; Michael Hagemeyer

(Back row) Patricia Duffy; Steven Russell; Liane Ward; Kathleen Sulsky; Robert Lambert; Linnie Willis; Blanca Macris; Patricia Baines-Lake, *Vice Chair*

(Not in photo) Tracy Barlow; Barbara Berg; Shannell Hardwick; Tony Love; Cindy Mummert; Colleen O'Keefe; June Parker; Dale Priestler; Mike Santangelo; Ted Shankle; Shelette Veal



FINANCE COMMITTEE

(Front row) Richard Dowe; Joseph Shuldiner; David Paccone, *Vice Chair*; Jane Smith; Ed Hinojosa, *Chair*; Margarita Shif; J. Len Williams; Richard Press; Lori Hoppe

(Second row) Blake P. Farris; Alan Feinstein; Gary M. Wasson; Duane Hopkins; Edwin Lowndes

(Third row) Maria Zissimos; Jeffery K. Patterson; Marlene Garza; Alan Katz; Christine Hart; James S. Borgstadt; Linnie Willis; Helen M. Kipplen

(Back row) Scott Bertrand; James DiPaolo; Paul Caverly; Tony Love; Fernando Aniban; Dale Jones

(Not in photo) Faye Brown; David Brown; Deborah M. Crockett; Randal Hemmerlin; June Parker; Randy Phillips



MARKETING, AGENCY, AND COMMUNICATIONS COMMITTEE

(Front row) Kevin Loso; Douglas Dzema; Dawn Sanders-Garrett; Alan Katz; Mark Gillett; Mark Ouellet; Tony Love, *Chair*; Boyd Fetterolf

(Back row) Patricia Duffy; William Morlock; Scott Bertrand; L. Glen Redding; Guillermo Rodriguez; Kathleen Sulsky; Carolyn Nichter; Linnie Willis; William J. Woods; Sharon Scudder, *Vice Chair*; Bonnie Latting

(Not in photo) Richard Baker; David Brown; George Byers; Donald W. Emerson; Anthony Greene; Pamela Kemp; Cindy Mummert; Rufus (Bud) Myers; Ted Shankle

LEARNING/INFORMATION

TECHNOLOGIES COMMITTEE

(Front row) Larry Williams; Christine Hart; Terrance Brady; Gary M. Wasson; Matthew Mills; Jeffery K. Patterson; Michael Hagemeyer

(Second row) Fernando Aniban; Lori Hoppe; Lee Eastman; L. Glen Redding, *Chair*; Helen M. Kipplen; Artesia Dupree; Sophie George

(Back row) Kevin Loso; Owen Ahearn, *Vice Chair*; Jay Cunningham; John Thaniel

(Not in photo) Donald W. Emerson; George Guy; Janis Holt; Pamela Kemp; Joseph Macaluso; Kenneth Martin; Richard Whitworth



UNDERWRITING COMMITTEE

(Front row) Modesto Candelario; Joseph Shuldiner, *Vice Chair*; Eric C. Brown; Edwin Lowndes; William J. Woods; James DiPaolo; Tyrone Garrett, *Chair*; Thomas Hickey; Hurticene Hardaway

(Back row) Steven Russell; Liane Ward; Richard Press; Anthony Goodson; Alissa E. Italiano; L. Glen Redding; Rita Ruiz; Stephanie Lovett; Gary Evangelista

(Not in photo) Barbara Berg; Aaron Cooper; Veronica Guevara; Janis Holt; Robert Lambert; Tony Love; Blanca Macris; Karl Opheim; Dale Priestler; Shelette Veal; Charles E. Williamson



RISK CONTROL COMMITTEE

(Front row) Mark Ouellet; Hurticene Hardaway; William Morlock; Dawn Sanders-Garrett; Bonnie Latting; Boyd Fetterolf; Donna Conway; Guillermo Rodriguez; Gary M. Wasson, *Chair*

(Back row) Vince D. Pearson, *Vice Chair*; Karl P. Jones; James DiPaolo; Carolyn Nichter; Martin Williams; Laurel Robinson; Earline W. Davis; Arthur N. Martin; Melissa Pressley; Orthneil Palmer; Jeffery Wade; Veronica Guevara

(Not in photo) Michael Flaherty; Bernice Jones; Rufus (Bud) Myers; Charles E. Williamson



EMPLOYEE LISTING

As of May 2015

CEO OFFICE

Dan Labrie: *Chief Executive Officer*
Mark Wilson: *Chief Operating Officer*
Ed Malaspina: *Chief Marketing Officer*
Leslie Whitlock: *Assistant Director*
Ken House: *Special Assistant to the President and CEO*

ACTUARIAL SERVICES

Nate Bailey: *Director*
James Jean: *Statistical Analyst*
Neal Kalinsky: *Statistical Analyst*

BUSINESS DEVELOPMENT

Ed Malaspina: *Vice President*
Robin Chasse: *Executive Assistant to the
Chief Marketing Officer*
Collean Toupin: *Administrative Assistant*

CLAIMS MANAGEMENT

Stefanie Warner: *Director*
Jeff Lynes: *Assistant Director*
Michael Pepe: *Claims Manager*
Janelle Howard: *Senior Claims Examiner*
Kimberly Clifford: *Senior Claims Examiner*
Laura Franco: *Senior Claims Examiner*
Alkis Liopiros: *Claims Examiner*
Christopher Cookson: *Claims Examiner*
Jack Van Arsdale: *Claims Examiner*
Joseph Catapano: *Claims Examiner*
Malvamel Lennon: *Claims Examiner*
Rena Jadoonan: *Claims Examiner*
Stephen Shalagan: *Claims Examiner*
Joyce Coleman: *Senior Claims Coordinator*
Patricia Emmons: *Claims Coordinator Team Lead*
Peyton Wergin: *Claims Coordinator*

COMMUNICATIONS AND BRANDING

Courtney Rice: *Corporate Communications
and Branding Manager*
Samantha Cerullo: *Graphic Designer*
Brian Altshuler: *Web Technologist*
Jessica Rosa: *Public Relations Coordinator*
Stan Gornicz: *Writing Coordinator*

ENTERPRISE RISK MANAGEMENT

Amy Galvin: *Director*

FINANCE

Sarah Rodriguez: *Chief Financial Officer*
Jacqueline Jamsheed: *Controller*
Lise Holiday: *Manager*
Nicole Jordan: *Assistant Controller*
Paulette Achilli: *Financial Analyst*
Amy Landes: *Staff Accountant III*
Hitarthi Jani: *Staff Accountant II*
Michele Merenda: *Staff Accountant I*
Ying Xu: *Staff Accountant I*
Gladys Roman: *Financial Compliance Analyst II*
Tory Davis: *Financial Compliance Analyst I*
Derek Hodder: *Accounts/Receivable Analyst I*
Jo-Mel McPhail: *Accounts Payable and Payroll Analyst*

HOUSING SOFTWARE AND SERVICES

Anthony Peccerillo: *President and CEO*
Dave Sagers: *Chief Operating Officer*
Kimberly Keinz: *Business Development Manager*
Ginny Argenio: *Customer Service Manager*
Sharon Nichols: *Product Manager*
Alan Wood: *Senior Developer/Architect*
Brian Watkins: *Senior Developer*
David Stephens: *Senior Developer*
Walter Gordon: *Senior Developer*
Francesca Buonocore: *Financial Solution Architect*
Elaine Harter: *Financial Application Consultant*
Matt Wilder: *Application Consultant*
Michael Kelly: *Solutions Analyst*
Tiffany Lake: *Solutions Analyst*
Megan Johnson: *Senior Administrative Assistant*

HUMAN CAPITAL MANAGEMENT

Bill Lewellyn: *Senior Vice President*
Kathleen Walker: *Director*
Glenn Jurgen: *Human Resources and Administrative
Services Leader*
Kristen Cruz: *Talent Management Consultant*
John Lewis: *Employee Benefits Administrator*
Jim Ritt: *Facilities Supervisor*
Alexandra Gregory: *Administrative
Services Representative*
Lauren Charamut: *Office Services Coordinator*

INFORMATION TECHNOLOGY

Andy Caporiccio: *Assistant Director,
Enterprise Solutions Services*
Matt Cripps: *Assistant Director, Infrastructure*
April Parsons: *Manager, IT Systems Services*
Jonathon Green: *Technology Planning and
Program Services Manager*
Liam Dwyer: *Network Engineer*
Lucille Cousins: *Network Engineer*
Roger Johns: *Network Engineer - Cloud Services*
Scott Owens: *Solutions Services Lead*
Samantha Tower: *Project Manager*
Yang Shen: *Project Manager*
John Brown: *Data Warehouse Architect*
Jill McNamee: *Productivity Solutions Analyst*

Mark Kirkendall: *Developer Analyst II*
Nancy Adelson: *Developer Analyst II*
Robert Florio: *Developer Analyst II*
Lori Harris: *Developer Analyst I*
John Lavery: *QA Analyst II*
Kristin Ernst: *QA Analyst II*
Kyle Quinn: *Technical-Functional Analyst I*
David Kinney: *IT Operations Coordinator*
Regina Ceryak: *Service Desk Coordinator*
Kathy Casey: *Helpdesk Support Specialist*
Mark Schmid: *Desktop Support Specialist*

INTERNAL AUDIT

Jim Stavris: *Chief Auditor*
Libby Gallo: *Staff Internal Auditor*

LEARNING TECHNOLOGIES

Ed Malaspina: *Chief Operating Officer*
Kristina Gumbulevich: *Manager*
Brian Altshuler: *Instructional Technologist*
Daniel Segaline: *E-learning Account Specialist*
Vincent Rosa: *Video Production/Multi-Media Developer*
Patrick Sullivan: *Production Specialist*
Paula Shemchuk: *Programming Assistant*

MARKETING AND AGENCY OPERATIONS

Roque Orts: *Director*
Kimberly Tompkins: *Manager*
Carolyn Bokon: *Senior Account Executive*
Greg Shpak: *Senior Marketing Representative*
Caroline Ruiz: *Marketing Representative*
Emily Fortier: *Marketing Representative*
Michael Patenaude: *Marketing Representative*
Amy Smith: *Account Executive*
Jodi Neubaum: *Account Executive*
Michelle Bozzuto: *Account Executive*
Rolanda Baw: *Account Executive*
Estelle Cote: *Licensing Specialist*

OPERATIONS

Mark Wilson: *Chief Operating Officer*
Carmela Avery: *Manager*
William Carnes: *Data Support Analyst*
Liz Graham: *Coordinator*

MARKETING AND MEMBER RELATIONS

Sherry Sullivan: *Vice President*
Jeff Weslow: *Assistant Director*
Staci Canny: *Marketing Analyst*

POLICY MANAGEMENT

Kate Barbera: *Manager*
Annette Luko: *Insurance Service Coordinator*
Carmen MacArthur: *Insurance Service Coordinator*
Cindy Arico: *Insurance Service Coordinator*
Jeff Nielsen: *Insurance Service Coordinator*

Lori Jentzen: *Insurance Service Coordinator*
Pauline Tavares: *Insurance Service Coordinator*
Robert Alexander: *Insurance Service Coordinator*
Tion Adlam: *Insurance Service Coordinator*
Marianne McDonough: *Intake and Support Specialist*
Sandra Foster: *Intake and Support Specialist*
Kevin Malm: *Support Specialist*
Marieda Pagan: *Administrative Assistant*

PRODUCT DEVELOPMENT AND COMPLIANCE

Lynn Crisci: *Assistant Director*
Brandi Rowe: *Product Development Analyst*
Sharon Raymond: *Product Development Analyst*

RISK CONTROL AND CONSULTING

Elizabeth Owens: *Director*
Jeff Briggs: *Senior Risk Control Consultant*
Joseph Noel: *Senior Risk Control Consultant*
Ashley McElhare: *Risk Control Consultant*
Eric Hewitt: *Risk Control Consultant*
Mary Valiante: *Risk Control Consultant*
Nicklaus Mayo: *Risk Control Consultant*
Oreoluwa Ajulo: *Risk Control Consultant*
Debbie Seidel: *Program Assistant*

RESEARCH AND INDUSTRY ANALYSIS

Keely Stater: *Manager*
Kelly McElwain: *Research Analyst*

STRATEGIC CAPITAL VENTURES

Brian Robinson: *Director*

UNDERWRITING

Jerry Williams: *Senior Vice President*
Gibriel Cham: *Assistant Director*
Ken Merrifield: *Assistant Director and
Corporate Risk Manager*
Bill Haggerty: *Underwriting Manager*
Bob Miller: *Underwriting Manager*
John Lubszewicz: *Underwriting Manager*
Judy Tripp: *Underwriting Manager*
George Bartholomay: *Senior Underwriter*
Linda Blanc: *Senior Underwriter*
Robert Mensah: *Senior Underwriter*
Davina Bachman: *Underwriter*
Elizabeth Khan: *Underwriter*
Isabel Pizzoferrato: *Underwriter*
Jean Solla: *Underwriter*
Kathy Lewis: *Underwriter*
Laura Masella: *Underwriter*
Robert Stanczykiewicz: *Underwriter*
Dimitri Kallivrousis: *Assistant Underwriter*
Donna Vreeland: *Assistant Underwriter*
Jane Renauld: *Assistant Underwriter*
Laurie Davidson: *Assistant Underwriter*
Maria Diaz: *Collection Specialist*
Salvatore Carbone: *Assistant Collections Specialist*

OUR COMPANIES

HOUSING AUTHORITY RISK RETENTION GROUP, INC. (HARRG)

HARRG provides liability insurance to public housing authorities. Available coverages include general liability, public officials' errors and omissions, employment practices, law enforcement, lead-based paint, employee benefit, auto, hired and non-owned auto, mold, and terrorism. HARRG is owned by the members it insures. HARRG is a nonprofit, tax-exempt captive mutual risk retention group, operating under the Federal Risk Retention Act, licensed and domiciled in Vermont. HARRG began operation on June 1, 1987, and was incorporated on March 20, 1987.

HOUSING AUTHORITY PROPERTY INSURANCE, A MUTUAL COMPANY (HAPI)

HAPI is a licensed insurer and reinsurer providing commercial property and liability insurance coverage to public housing authorities. Available coverages include property, inland marine, equipment breakdown, auto liability, physical damage, fidelity, crime, and liability. HAPI is owned by the members it insures. HAPI is a traditional mutual insurer domiciled and licensed in Vermont. HAPI is licensed in 48 states and the District of Columbia. HAPI began operation on August 1, 1988, as a mutual association captive. HAPI converted its charter in 2003 to a nonprofit, tax exempt, traditional mutual insurer and issues policies on a direct basis. HAPI was incorporated in Vermont on March 20, 1987.

HOUSING ENTERPRISE INSURANCE COMPANY, INC. (HEIC)

HEIC is a licensed insurer providing commercial insurance and risk management programs to affordable housing providers. Available coverages include property, liability, inland marine, hired and non-owned auto, and equipment breakdown. HEIC is licensed in 48 states and the District of Columbia. The company is jointly owned by HARRG and HAPI as a subsidiary. HEIC began operation in August 2001, and converted its charter to a for-profit, admitted licensed stock insurer domiciled in Vermont on December 31, 2007. HEIC was originally formed as a sponsored captive insurer, Housing Enterprise Risk Services, Inc. (HERS), which was incorporated in Vermont on August 20, 2000.

HOUSING INSURANCE SERVICES, INC. (HIS)

HIS provides agent and broker services to public and affordable housing providers and their agents to procure insurance products. HIS is licensed as an agency, broker, or surplus lines broker in various states. HIS is a wholly-owned subsidiary of HIG. HIS is a for-profit corporation incorporated in Connecticut on February 14, 1991.

HOUSING SPECIALTY INSURANCE COMPANY, INC. (HSIC)

HSIC is an Excess and Surplus Lines insurer which will provide a non-traditional insurance program to public and affordable housing providers throughout the United States. The company is jointly owned by HARRG and HAPI as a subsidiary. HSIC is a for-profit, property and casualty stock insurer domiciled in Vermont on January 15, 2014. HSIC was incorporated in Vermont on December 9, 2013.

HOUSING AUTHORITY INSURANCE, INC. (HAI)

HAI sponsors programs for its membership, including insurance and risk management programs, scholarship and internship programs, and charitable activities. HAI advocates and supports legislative and regulatory issues that help to improve the public and affordable housing industries. HAI is a nonprofit association incorporated in 1987.

HOUSING INVESTMENT GROUP, INC. (HIG)

HIG is responsible for investing in opportunities that further the missions of HARRG and HAPI. HIG is a downstream, for-profit business serving as an investment holding company owned jointly by HARRG and HAPI. HIG owns three taxable subsidiaries, STI, HIS, and HSS. The financials of for-profit ventures have been consolidated since January 1, 1996. HIG was incorporated in Delaware in June 1995.

HOUSING TELECOMMUNICATIONS, INC. (HTI)

HTI is responsible for delivering training and education programs via the Internet. HTI began operations on December 28, 1995,

and originally delivered services via satellite broadcast and converted to web-streaming technology. HTI is a nonprofit organization incorporated in Connecticut in September 1993

SATELLITE TELECOMMUNICATIONS, INC (STI)

STI owns the web-streaming equipment utilized by HTI. STI is wholly owned by HIG. STI is a for-profit corporation incorporated in Delaware in June 1995.

PUBLIC AND AFFORDABLE HOUSING RESEARCH CORPORATION (PAHRC)

PAHRC strives to be the nexus for current data and research on public and affordable housing industries to support the efforts of the industry at large and to enhance the quality of life for its stakeholders. PAHRC collects primary data from the industry and compiles data from a variety of secondary data sources. PAHRC generates industry-specific reports and frequently works in partnership with industry groups in support of its stakeholders. PAHRC is a nonprofit organization incorporated in Connecticut in March 2011.

HOUSING SYSTEMS SOLUTIONS, INC. (HSS)

The mission of HSS is to improve public and affordable housing providers' ability to meet the needs of their clients and communities through actionable insight and more efficient operations. The company provides business software and consulting solutions to public housing authorities and other affordable housing providers. HSS is a for-profit corporation, wholly owned by HIG, incorporated in Connecticut in April 2011.

Financial Statements

(AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013)

The following financial information should be read in conjunction with the financial statements and related notes as presented in HAI Group's 2014 *Audited Financial Statements* supplement. This can be found on our website at www.housingcenter.com/AuditedFinancialStatements.

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December 31, 2014 and 2013

2014

2013

ASSETS

Investments:

Available for sale - at fair value	\$ 308,479,005	\$ 310,993,637
Investment in HIG	5,294,395	8,232,135
Investment in HSIC	7,826,541	2,995,420
Other invested assets	-	37,844

Total investments	321,599,941	322,259,036
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Cash and cash equivalents	11,813,011	14,490,583
Reinsurance recoverables on unpaid losses	6,711,158	5,292,111
Reinsurance recoverables on paid losses	45,845	1,023,260
Premiums receivable	15,703,748	16,014,331
Prepaid reinsurance premiums	5,302,018	5,428,669
Due from affiliates	2,682,748	2,106,433
Accrued investment income	1,671,534	1,849,339
Deferred policy acquisition costs	1,916,991	2,058,991
Federal income tax receivable	-	269,763
Deferred tax asset	2,509,365	2,858,783
Property and equipment, net	13,708,463	4,251,470
Other assets	4,197,970	3,380,970

Total assets	\$ 387,862,792	\$ 381,283,739
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LIABILITIES AND EQUITY

Liabilities:

Unpaid losses and loss adjustment expenses	\$ 107,941,101	\$ 105,307,989
Unearned premiums	28,866,202	28,119,608
Reinsurance balances payable	1,879,388	2,712,699
Term loan	7,966,564	8,423,227
Accrued Policyholder dividends	5,359,339	7,275,490
Advance premiums	3,447,269	4,238,188
Due to affiliates	35,075	407,523
Accrued expenses and other liabilities	10,657,691	9,522,073

Payable for securities	493,312	-
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Total liabilities	166,645,941	166,006,797
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Equity:

Members' equity:

Members' contributions	10,837,948	10,622,783
Accumulated other comprehensive income	12,746,833	8,404,819
Unassigned surplus	184,047,486	183,752,312

Total Members' equity	207,632,267	202,779,914
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Non-controlling interest in HEIC	13,584,584	12,497,028
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Total equity	221,216,851	215,276,942
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Total liabilities and equity	\$ 387,862,792	\$ 381,283,739
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Housing Authority Risk Retention Group, Inc. and Subsidiary
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

HARRG

For the Years Ended December 31, 2014 and 2013

	2014	2013
Revenues:		
Premiums earned	\$ 58,390,006	\$ 57,016,827
Ceded premiums earned	(12,103,815)	(13,080,734)
Net earned premiums	46,286,191	43,936,093
Investment income, net	1,853,188	6,007,173
Other income	-	199,905
Net realized investment gains	3,390,730	4,761,381
Total revenues	51,530,109	54,904,552
Expenses:		
Losses and loss adjustment expenses	25,109,225	25,861,225
Salaries and other compensation	8,052,582	8,197,989
Contractual services and professional fees	1,995,388	2,008,032
General and administrative expenses	5,989,795	4,984,810
Policy acquisition costs	3,876,507	4,269,833
Total expenses	45,023,497	45,321,889
Policyholder dividends	5,922,125	11,802,299
Net income (loss) before federal income tax expense (benefit)	584,487	(2,219,636)
Federal income tax expense (benefit)	286,092	(649,104)
Net income (loss)	298,395	(1,570,532)
Less: net loss attributable to non-controlling interest in HEIC	(705,357)	(1,839,130)
Net income attributable to the Company	1,003,752	268,598
Other comprehensive income:		
Unrealized holding gains (losses) on available for sale securities, net of tax expense (benefit) of \$227,133 and (\$598,311) related to HEIC in 2014 and 2013	7,611,686	(7,249,866)
Reclassification adjustments for realized gains included in net income (loss), net of tax expense of \$163,971 and \$170,484 related to HEIC in 2014 and 2013	(3,226,760)	(4,590,897)
Other comprehensive income (loss)	4,384,926	(11,840,763)
Less: other comprehensive income (loss) attributable to non-controlling interest in HEIC	42,912	(516,213)
Other comprehensive income (loss) attributable to the Company	4,342,014	(11,324,550)
Comprehensive income (loss) attributable to the Company	\$ 5,345,766	\$ (11,055,952)

Housing Authority Risk Retention Group, Inc. and Subsidiary
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

HARRG

For the Years Ended December 31, 2014 and 2013	Mem- bers' Contri- butions	Accumulated Other Comprehen- sive Income	Retained Earnings	Total Equity Before Non- controlling Interest	Non- controlling Interest	Total Equity
Balance as of January 1, 2013	\$10,484,261	\$ 19,729,369	\$ 184,128,915	\$ 214,342,545	\$ 11,352,371	\$ 225,694,916
Net income (loss)	-	-	268,598	268,598	(1,839,130)	(1,570,532)
Other comprehensive loss	-	(11,324,550)	-	(11,324,550)	(516,213)	(11,840,763)
Contributed capital	-	-	-	-	3,500,000	3,500,000
Equity dividends	-	-	(512,479)	(512,479)	-	(512,479)
Members' contributions	5,800	-	-	5,800	-	5,800
Members' recapitalization dividends	132,722	-	(132,722)	-	-	-
Balance as of December 31, 2013	10,662,783	8,404,819	183,752,312	202,779,914	12,497,028	215,276,942
Net income (loss)	-	-	1,003,752	1,003,752	(705,356)	298,396
Other comprehensive income	-	4,342,014	-	4,342,014	42,912	4,384,926
Contributed capital	-	-	-	-	1,750,000	1,750,000
Equity dividends	-	-	(496,013)	(496,013)	-	(496,013)
Members' contributions	2,600	-	-	2,600	-	2,600
Members' recapitalization dividends	212,565	-	(212,565)	-	-	-
Balance as of December 31, 2014	\$10,837,948	\$ 12,746,833	\$ 184,047,486	\$ 207,632,267	\$ 13,584,584	\$ 221,216,851

BALANCE SHEETS**HAPI**

December 31, 2014 and 2013

2014

2013

	2014	2013
ASSETS		
Investments:		
Available for sale - at fair value	\$ 119,655,681	\$ 129,500,553
Investment in HEIC	13,584,409	12,496,853
Investment in HIG	5,294,395	8,232,135
Investment in HSIC	7,826,541	2,995,420
Other invested assets	-	18,294
	146,361,026	153,243,885
Cash and cash equivalents	9,313,119	3,154,538
Premiums receivable	21,468,035	20,843,296
Reinsurance recoverables on unpaid losses	7,111,853	8,307,912
Reinsurance recoverables on paid losses	1,820,168	1,986,906
Deferred policy acquisition costs	1,915,606	1,698,173
Other assets	786,293	881,461
Due from affiliates	114,464	2,687
Prepaid reinsurance premiums	6,949,266	6,746,759
Total assets	\$ 195,839,830	\$ 196,865,617
LIABILITIES AND MEMBERS' EQUITY		
Unpaid losses and loss adjustment expenses	\$ 32,707,706	33,450,548
Unearned premiums	23,826,406	22,346,144
Reinsurance payable	2,997,011	3,002,086
Accrued expenses and other liabilities	1,651,653	1,111,296
Accrued Policyholder dividends	505,139	2,363,799
Payable for securities	288,741	-
Due to affiliates	1,470,298	1,331,973
Advance premiums	8,187,907	9,242,665
Total liabilities	71,634,861	72,848,511
Members' equity:		
Members' contributions	9,980,270	9,866,847
Accumulated other comprehensive income	6,922,977	5,139,240
Unassigned surplus	107,301,722	109,011,019
Total Members' equity	124,204,969	124,017,106
Total liabilities and Members' equity	\$ 195,839,830	\$ 196,865,617

For the Years Ended December 31, 2014 and 2013

	2014	2013
Revenues:		
Premiums earned	\$ 55,513,146	\$ 51,472,930
Ceded premiums earned	(18,440,377)	(16,996,083)
Net premiums earned	37,072,769	34,476,847
Investment loss (net of expenses of \$443,722 in 2014 and \$407,259 in 2013)	(3,254,240)	(2,178,916)
Net realized investment gains	1,488,066	1,640,954
Total revenues	35,306,595	33,938,885
Expenses:		
Losses and loss adjustment expenses	23,123,013	15,393,779
Salaries and other compensation	4,151,936	4,051,239
General and administrative expenses	8,608,085	7,528,978
Contracted services and professional fees	908,602	1,010,956
Total expenses	36,791,636	27,984,952
Net (loss) income before Policyholder dividends	(1,485,041)	5,953,933
Policyholder dividends	-	(1,870,000)
Net (loss) income	(1,485,041)	4,083,933
Other comprehensive income (loss):		
Unrealized holding gains (losses) on available for sale securities	3,271,803	(2,519,665)
Reclassification for realized gains on sales of available for sale securities included in net (loss) income	(1,488,066)	(1,640,954)
Other comprehensive income (loss)	1,783,737	(4,160,619)
Comprehensive income (loss)	<u>\$ 298,696</u>	<u>\$ (76,686)</u>

STATEMENTS OF CHANGES IN MEMBERS' EQUITY

HAPI

For the Years Ended December 31, 2014 and 2013	Members' Contribu- tions	Accumulated Other Compre hensive Income	Unassigned Surplus	Total
Balance as of January, 1, 2013	\$ 9,801,952	\$ 9,299,859	\$ 105,046,769	\$ 124,148,580
Net income	-	-	4,083,933	4,083,933
Other comprehensive income	-	(4,160,619)	-	(4,160,619)
Equity dividends	-	-	(61,188)	(61,188)
Members' contributions, net	6,400	-	-	6,400
Members' recapitalization dividends	58,495	-	(58,495)	-
Balance as of December 31, 2013	<u>9,866,847</u>	<u>5,139,240</u>	<u>109,011,019</u>	<u>124,017,106</u>
Net loss	-	-	(1,485,041)	(1,485,041)
Other comprehensive income	-	1,783,737	-	1,783,737
Equity dividends	-	-	(99,665)	(99,665)
Members' distributions, net	(11,168)	-	-	(11,168)
Members' recapitalization dividends	124,591	-	(124,591)	-
Balance as of December 31, 2014	<u>\$ 9,980,270</u>	<u>\$ 6,922,977</u>	<u>\$ 107,301,722</u>	<u>\$ 124,204,969</u>

BALANCE SHEETS**HEIC**

December 31, 2014 and 2013

2014

2013

	2014	2013
ASSETS		
Cash and cash equivalents	\$ 3,265,625	\$ 2,472,048
Investments available for sale, at fair value	56,407,155	50,076,114
Premiums receivable	8,738,326	8,352,105
Reinsurance recoverable on unpaid losses	2,108,085	4,110,739
Reinsurance recoverable on paid losses	36,369	453,532
Prepaid reinsurance	4,472,897	4,715,636
Deferred policy acquisition costs	1,916,991	2,058,991
Federal income tax receivable	-	269,763
Deferred tax asset	2,509,365	2,858,783
Accrued interest and other assets	485,371	472,580
Total assets	\$ 79,940,184	\$ 75,840,291
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Unpaid losses and loss adjustment expenses	\$ 24,517,890	\$ 23,076,804
Unearned premiums	14,700,071	14,822,961
Reinsurance payable	959,793	2,028,083
Payable for securities	186,479	-
Due to affiliates	541,207	391,461
Accounts payable and other liabilities	903,432	460,113
Advance premiums	977,374	1,014,234
Total liabilities	42,786,246	41,793,656
Shareholders' equity:		
Common stock, \$10,000 stated value, 10,000 shares authorized and 2,000 issued and outstanding	20,000,000	20,000,000
Contributed surplus	29,000,000	24,000,000
Accumulated other comprehensive income	1,018,205	895,597
Retained deficit	(12,864,267)	(10,848,962)
Total shareholders' equity	37,153,938	34,046,635
Total liabilities and shareholders' equity	\$ 79,940,184	\$ 75,840,291

Housing Enterprise Insurance Company, Inc.
STATEMENTS OF COMPREHENSIVE LOSS

HEIC

For the Years Ended December 31, 2014 and 2013

	2014	2013
Revenues:		
Net premiums earned	\$ 17,252,237	\$ 15,853,036
Other income	-	199,905
Investment income, net	1,270,599	1,273,685
Realized gains, net	482,268	501,424
Total revenues	19,005,104	17,828,050
Losses and expenses:		
Losses and loss adjustment expenses	12,772,805	15,702,331
Salaries and benefits	2,618,716	2,544,368
General and administrative expenses	2,432,346	2,134,518
Agency and ceding commissions	2,910,450	3,350,594
Total losses and expenses	20,734,317	23,731,811
Net loss before federal income tax expense (benefit)	(1,729,213)	(5,903,761)
Federal income tax expense (benefit)	286,092	(649,104)
Net loss	(2,015,305)	(5,254,657)
Other comprehensive (loss) income, net of tax:		
Unrealized holding (losses) gains on available for sale securities, net of tax expense (benefit) of \$227,133 in 2014 and (\$589,311) in 2013	440,905	(1,143,955)
Reclassification adjustments for realized gains included in net loss, net of tax expense of \$163,971 in 2014 and \$170,484 in 2013	(318,297)	(330,940)
Other comprehensive income (loss)	112,608	(1,474,895)
Comprehensive loss	\$ (1,892,697)	\$ (6,729,552)

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY



For the Years Ended December 31, 2014 and 2013	Common Stock		Contributed Surplus	Accumulated Other Comprehensive Income	Retained Deficit	Total Shareholders' Equity
	Shares	Amount				
Balance as of January 1, 2013	2,000	\$ 20,000,000	\$ 14,000,000	\$ 2,370,492	\$ (5,594,305)	\$ 30,776,187
Contributed surplus	-	-	10,000,000	-	-	10,000,000
Other comprehensive loss	-	-	-	(1,474,895)	-	(1,474,895)
Net loss	-	-	-	-	(5,254,657)	(5,254,657)
Balance as of December 31, 2013	2,000	\$ 20,000,000	\$ 24,000,000	\$ 895,597	\$ (10,848,962)	\$ 34,046,675
Contributed surplus	-	-	5,000,000	-	-	5,000,000
Other comprehensive income	-	-	-	122,608	-	122,608
Net loss	-	-	-	-	(2,015,305)	(2,015,305)
Balance as of December 31, 2014	2,000	\$ 20,000,000	\$ 29,000,000	\$ 1,018,205	\$ (12,864,267)	\$ 37,153,938

BALANCE SHEET**HSIC**

December 31, 2013	2014	2013
ASSETS		
Cash and cash equivalents	\$ 801,044	\$ 6,000,000
Investments available-for-sale, at fair value	14,973,115	-
Accrued interest and other assets	66,525	-
Deferred tax asset	-	3,249
Total assets	\$ 15,840,684	\$ 6,003,249
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Due to affiliates	\$ 187,602	\$ 9,557
Shareholders' equity		
Common stock, \$10,000 stated value, 10,000 shares authorized and 200 shares issued and outstanding (Note 1)	2,000,000	-
Contributed surplus	14,000,000	6,000,000
Accumulated other comprehensive income	29,218	-
Retained deficit	(376,136)	(6,308)
Total shareholders' equity	15,653,082	5,993,692
Total liabilities and shareholders' equity	\$ 15,840,684	\$ 6,003,249

STATEMENTS OF COMPREHENSIVE LOSS**HSIC**

For the Year Ended December 31, 2014 and the Period from
December 20, 2013 (commencement of operations) through
December 31, 2013

	2014	2013
Revenues:		
Investment income, net	\$ 136,622	\$ -
Realized gains, net	(45,595)	-
Total revenues	91,027	-
Expenses:		
Salaries and benefits	321,082	-
General and administrative expenses	151,575	9,557
Total expenses	472,657	9,557
Net loss before federal income tax benefit	(381,630)	(9,557)
Federal income tax benefit	(11,802)	(3,249)
Net loss	(369,828)	(6,308)
Other comprehensive income, net of tax:		
Unrealized holding losses on available-for-sale securities, net of tax benefit of \$451 in 2014	(875)	-
Reclassification adjustments for realized losses included in net loss, net of tax benefit of \$15,502 in 2014	30,093	-
Other comprehensive (loss) income	29,218	-
Comprehensive loss	<u>\$ (340,610)</u>	<u>\$ (6,308)</u>

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY



For the Year Ended December 31, 2014 and the Period from December 20, 2013 (commencement of operations) through December 31, 2013	Common Stock		Contributed Surplus	Accumu- lated Other Compre- hensive Income	Retained Deficit	Total Share- holders' Equity
	Shares	Amount				
Balance as of December 20, 2013 (commencement of operations)	-	\$ -	\$ -	\$ -	\$ -	-
Issuance of common stock	200	-	6,000,000	-	-	6,000,000
Net loss	-	-	-	-	(6,308)	(6,308)
Balance as of December 31, 2013	200	\$ -	\$ 6,000,000	\$ -	(6,308)	\$ 5,993,692
Restatement of common stock (Note 1)	-	2,000,000	(2,000,000)	-	-	-
Contributed surplus	-	-	10,000,000	-	-	10,000,000
Other comprehensive income	-	-	-	29,218	-	29,218
Net loss	-	-	-	-	(369,828)	(369,828)
Balance as of December 31, 2014	200	\$ 2,000,000	\$ 14,000,000	\$ 29,218	(376,136)	\$ 15,653,082

Housing Authority Insurance, Inc.
STATEMENTS OF FINANCIAL POSITION

HAI

December 31, 2014 and 2013	2014	2013
ASSETS		
Current assets:		
Cash	\$ 1,938,639	\$ 3,852,110
Refundable advance	370,782	293,285
Due from affiliates	484,132	40,185
Prepaid expenses	61,613	52,699
Total current assets	\$ 2,855,166	\$ 4,238,279
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 183,301,	\$ 145,465
Due to affiliates	733,903	241,755
Deferred grant revenue	1,207,148	2,907,183
Total current liabilities	2,124,352	3,294,403
Unrestricted net assets	730,814	943,876
Total liabilities and net assets	\$ 2,855,166	\$ 4,238,279

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years Ended December 31, 2014 and 2013

2014

2013

Unrestricted revenues:		
Membership fees	\$ 3,999,182	\$ 3,000,000
Grant revenue	2,371,487	2,034,085
Total unrestricted revenues	6,370,669	5,034,085
Expenses:		
Salaries and benefits	1,725,454	1,382,700
General and administrative expenses	834,064	582,148
Grants and donations	1,861,794	701,361
Event support	1,936,386	2,078,467
Member benefits	226,033	220,810
Total expenses	6,583,731	4,965,486
Change in unrestricted net assets	(213,062)	68,599
Unrestricted net assets, beginning of year	943,876	875,277
Unrestricted net assets, end of year	\$ 730,814	\$ 943,876

December 31, 2014 and 2013	2014	2013
ASSETS		
Current assets:		
Cash	\$ 852,213	\$ 774,098
Accounts receivable	31,268	45,413
Prepaid expenses	154,292	106,409
Due from affiliates	45,600	30,075
Total assets	\$ 1,083,373	\$ 955,995
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 11,457	\$ 2,289
Due to affiliates	134,626	94,714
Deferred income	64,300	65,300
Unearned subscription fees	349,255	335,342
Total current liabilities	559,638	497,645
Unrestricted net assets	523,735	458,350
Total liabilities and net assets	\$ 1,083,373	\$ 955,995

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**HTI**

For the Years Ended December 31, 2014 and 2013

	2014	2013
Unrestricted revenues:		
Subscription fees	\$ 730,387	\$ 674,550
Risk management service fees	125,000	420,525
Sponsorship fees	400,000	-
Pay per view fees	202,339	165,145
Contributions and other income	92,750	35,306
Total unrestricted revenues	1,550,476	1,295,526
Expenses:		
Salaries and benefits	688,548	673,801
General and administrative expenses	453,578	422,223
Studio rental	191,667	230,000
Program costs	151,298	126,155
Total expenses	1,485,091	1,452,179
Change in unrestricted net assets	65,385	(156,653)
Unrestricted net assets, beginning of year	458,350	615,003
Unrestricted net assets, end of year	\$ 523,735	\$ 458,350

Housing Investment Group, Inc. and Subsidiaries
CONSOLIDATING BALANCE SHEET

HIG

December 31, 2014	Housing Investment Group, Inc.	Housing Insur- ance Services, Inc.	Housing Systems Solutions, Inc.	Elimination Entries	Consolidated
ASSETS					
Current assets:					
Cash	\$ 1,032,593	\$21,223,651	\$ 304,256	\$ -	\$ 22,560,500
Agency and commission accounts receivable	-	11,719,379	-	-	11,719,379
Due from related parties	29,665	306,248	-	-	335,913
Income taxes (payable) receivable	(424,930)	(1,404,598)	2,026,895	-	197,368
Other assets	13,022	86,573	61,920	-	161,515
Total current assets	650,350	31,931,254	2,393,071	-	34,974,675
Software and equipment (net of accumulated amortization and depreciation of \$1,186,247 in 2014)	1,172	-	3,666,991	-	3,668,163
Investment in HSS at cost	25,000,000	-	-	(25,000,000)	-
Investment in HIS, at cost	130,000	-	-	(130,000)	-
Total assets	\$ 25,781,522	\$31,931,254	\$ 6,060,062	(25,130,000)	\$ 38,642,838
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Commission payable and accounts current	\$ -	\$23,118,686	\$ -	\$ -	\$ 23,118,686
Deferred commissions	-	2,689,852	-	-	2,689,825
Accounts payable and accrued expenses	-	150,285	1,189,165	-	1,339,450
Due to related parties	32,562	626,590	246,932	-	906,084
Total current liabilities	32,562	26,585,386	1,436,097	-	28,054,045
Stockholders' equity:					
Common stock, Class A, no par value, \$5,000 per share stated value, 2 shares authorized, issued and outstanding	10,000	-	-	-	10,000
Common stock, Class B, no par value, \$100 per share stated value, 300,000 shares authorized, 232,000 shares issued and outstanding	23,200,000	-	-	-	23,200,000
Common stock, no par value, \$25 per share stated value, 1,000 shares authorized, 1,000 shares issued and outstanding	-	25,000	-	(25,000)	-
Common stock, no par value, \$1,000 per share stated value, 25,000 shares author- ized, 25,000 shares issued and outstanding	-	-	25,000,000	(25,000,000)	-
Additional paid-in capital	269,664	-	-	212,570	482,234
Retained earnings (accumulated deficit)	2,269,296	5,320,868	(20,376,035)	(317,570)	(13,103,441)
Total stockholders' equity	25,748,960	5,345,868	4,623,965	(25,130,000)	10,588,793
Total liabilities and stockholders' equity	\$ 25,781,522	\$31,931,254	\$ 6,060,062	(25,130,000)	\$ 38,642,838

Housing Investment Group, Inc. and Subsidiaries
CONSOLIDATING BALANCE SHEET

HIG

December 31, 2013

Housing Invest- ment Group, Inc.	Satellite Tele- commu- nications, Inc.	Housing Insurance Services, Inc.	Housing Systems Solutions, Inc.	Elimination Entries	Consoli- dated
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ASSETS						
Current assets:						
Cash	\$ 703,827	\$ 168,246	\$ 22,819,723	\$ 2,839,365	\$ -	\$ 26,531,161
Agency and commission accounts receivable	-	-	22,718	-	-	12,174,636
Due from related parties	2,463	-	1,508,749	-	-	145,666
Income taxes (payable) receivable	(210,136)	59,914	277,437	1,907,055	-	550,714
Deferred tax assets	1,314	11,215	553,174	1,344,772	-	1,487,935
Other assets	1,136	45,850	133,725	54,345	-	169,994
Total current assets	498,604	285,225	33,050,563	6,145,537	-	41,060,106
Software and equipment (net of accumulated amortization and depreciation of \$513,501)	-	515	-	2,618,011	-	2,618,526
Investment in HSS at cost	17,000,000	-	-	-	(17,000,000)	-
Investment in STI, at cost	1,585,500	-	-	-	(1,585,500)	-
Investment in HIS, at cost	130,000	-	-	-	(130,000)	-
Total assets	<u>\$ 19,214,104</u>	<u>\$ 285,740</u>	<u>\$ 34,130,740</u>	<u>\$ 8,763,548</u>	<u>\$ (18,715,500)</u>	<u>\$ 43,678,632</u>
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities:						
Commission payable and accounts current	\$ -	\$ -	\$ 23,068,760	\$ -	\$ -	\$ 23,068,760
Accounts payable and accrued expenses	-	-	2,492,295	-	-	2,492,295
Taxes payable to affiliate	-	-	218,564	1,139,006	-	1,360,613
Due to related parties	3,043	23,052	41,795	227,847	-	292,694
Total current liabilities	3,043	23,052	25,821,414	1,366,853	-	27,214,362
Stockholders' equity:						
Common stock, Class A, no par value, \$5,000 per share stated value, 2 shares authorized, issued and outstanding	10,000	-	-	-	-	10,000
Common stock, Class B, no par value, \$100 per share stated value, 300,000 shares authorized, 182,000 shares issued and outstanding	18,200,000	-	-	-	-	18,200,000
Common stock, no par value, \$1,000 per share stated value, 10,000 shares authorized, 1,600 shares issued and outstanding	-	1,600,000	-	-	(1,600,000)	-
Common stock, no par value, \$25 per share stated value, 1,000 shares authorized, 1,000 shares issued and outstanding	-	-	25,000	-	(25,000)	-
Common stock, no par value, \$1,000 per share stated value, 20,000 shares authorized, 17,000 shares issued and outstanding	-	-	-	17,000,000	(17,000,000)	-
Additional paid-in capital	269,664	-	-	-	212,570	482,234
Less: Stock subscription receivable	-	(14,500)	-	-	14,500	-
Retained earnings (accumulated deficit)	731,397	(1,322,812)	8,284,326	(9,603,305)	(317,570)	(2,227,964)
Total stockholders' equity	19,211,061	262,688	8,309,326	7,396,695	(18,715,500)	16,464,270
Total liabilities and stockholders' equity	<u>\$ 19,214,104</u>	<u>\$ 285,740</u>	<u>\$ 34,130,740</u>	<u>\$ 8,763,548</u>	<u>\$ (18,715,500)</u>	<u>\$ 43,678,632</u>

Housing Investment Group, Inc. and Subsidiaries
CONSOLIDATING STATEMENT OF OPERATIONS

HIG

For the Year Ended December 31, 2014	Housing Investment Group, Inc.	Satellite Telecom- munications, Inc.	Housing Insur- ance Services, Inc.	Housing Systems Solutions, Inc.	Elimination Entries	Consoli- dated
Net revenues:						
Commission income	\$ -	\$ -	\$ 4,478,177	\$ -	\$ -	\$ 4,478,177
Dividend income	3,000,000	-	-	-	(3,000,000)	-
Insurance management services	-	-	237,149	-	-	237,149
Studio rental income	-	191,667	-	-	-	191,667
Product revenue	-	-	-	8,032	-	8,032
Other income	208,250	-	-	1,761	(208,250)	1,761
Total revenues	3,208,250	191,667	4,715,326	9,793	(3,208,250)	4,916,786
Costs and expenses:						
Salaries and benefits	76,864	99,388	2,875,182	877,040	-	3,928,474
General and administrative	177,546	186,256	1,424,419	677,739	(208,250)	2,257,710
Software research and development	-	-	-	6,043,980	-	6,043,980
Cost of product revenue	-	-	-	1,115,745	-	1,115,745
Sales expense	-	-	-	76,898	-	76,898
Depreciation	123	515	-	766,189	-	766,827
Total costs and expenses	254,533	286,159	4,299,601	9,557,591	(208,250)	14,189,634
Income (loss) before income taxes	2,953,717	(94,492)	415,725	(9,547,798)	(3,000,000)	(9,272,848)
Income tax expense (benefit)	(1,486)	-	379,183	1,224,932	-	1,602,629
Net income (loss)	\$ 2,955,203	\$ (94,492)	\$ 36,542	\$ (10,772,730)	\$ (3,000,000)	\$ (10,875,477)

Housing Investment Group, Inc. and Subsidiaries
CONSOLIDATING STATEMENT OF OPERATIONS

HIG

For the Year Ended December 31, 2013

	Housing Investment Group, Inc.	Satellite Telecom- munic- tions, Inc.	Housing Insurance Services, Inc.	Housing Systems Solutions, Inc.	Elimi- nation Entries	Consoli- dated
Net revenues:						
Commission income	\$ -	\$ -	\$ 4,932,105	\$ -	\$ -	\$ 4,932,105
Insurance management services	-	-	220,142	-	-	220,142
Studio rental income	-	230,000	-	-	-	230,000
Product revenue	-	-	-	21,962	-	21,962
Other income	210,000	532	-	2,379	(210,000)	2,911
Total revenues	210,000	230,532	5,152,247	24,341	(210,000)	5,407,120
Costs and expenses:						
Salaries and benefits	54,707	112,414	2,822,409	1,342,205	-	4,331,735
General and administrative	(65,739)	153,074	324,115	1,514,935	(210,000)	2,716,385
Software research and development	-	-	-	3,333,781	-	3,333,781
Cost of product revenue	-	-	-	2,422,264	-	2,422,264
Sales expense	-	-	-	133,741	-	133,741
Depreciation	-	314	-	-	-	314
Total costs and expenses	(11,032)	265,802	4,146,524	8,746,926	(210,000)	12,938,220
Income (loss) before income taxes	221,032	(35,270)	1,005,723	(8,722,585)	-	(7,531,100)
Income tax expense (benefit)	25,507	(1,322)	357,114	(1,846,841)	-	(1,465,542)
Net income (loss)	\$ 195,525	\$ (33,948)	\$ 648,609	\$ (6,875,744)	\$ -	\$ (6,065,558)

December 31, 2014 and 2013

2014

2013

ASSETS

Current assets:		
Cash	\$ 109,144	\$ 455,203
Grant receivable	300,000	-
Due from affiliate	27,130	-
Prepaid expenses	6,619	4,781
Total assets	\$ 442,893	\$ 459,984

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 9,282	\$ 35,693
Due to affiliates	38,267	33,729
Deferred grant revenue	395,344	390,562
Total liabilities	442,893	459,984
Unrestricted net assets	-	-
Total liabilities and net assets	\$ 442,893	\$ 459,984

Public and Affordable Housing Research Corporation
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

PAHRC

For the Year Ended December 31, 2014 and 2013

	2014	2013
Unrestricted grant revenue	\$ 645,218	\$ 494,211
Expenses:		
Salaries and benefits	260,798	252,538
General and administrative expenses	99,115	175,640
Event support	263,976	35,044
Legal expenses	9,418	17,446
Travel expenses	11,911	13,543
Total expenses	645,218	494,211
Change in unrestricted net assets	-	-
Unrestricted net assets, beginning of year	-	-
Unrestricted net assets, end of year	\$ -	\$ -



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